

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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# Webster City Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pamela Hayes	President	2013
Dan Ryherd	Vice President	2015
Beth Van Diest	Board Member	2015
Julie Jaycox	Board Member	2015
Michelle Zahn	Board Member	2013

### School Officials

Michael Sherwood	Superintendent	2013
Cathi Hildebrand	Business Manager/ District Secretary and Treasurer	2013
Ahlers & Cooney P.C.	Attorney	2013

# WEBSTER CITY COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Webster City Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Webster City Community School District, Webster City, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Webster City Community School District at June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan, the Schedule of Funding Progress for the Supplemental Pension Plan and the combining statements for the discretely presented component unit on pages 7 through 15 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for two years ended June 30, 2012 (which are not presented herein) while another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014, on our consideration of Webster City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Webster City Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$16,073,723 in fiscal 2012 to \$16,431,501 in fiscal 2013, while General Fund expenditures increased from \$15,907,901 in fiscal 2012 to \$16,798,384 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$712,022 at June 30, 2012 to a balance of \$345,139 at June 30, 2013, a 51.53% decrease from the prior year.
- The increase in General Fund revenues is attributable in part to an increase in local tax and federal source revenues in fiscal 2013. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Webster City Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Webster City Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Webster City Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan, Schedule of Funding Progress for the Supplemental Pension Plan and the combining statements for the discretely presented component unit, the Webster City Community School Foundation.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

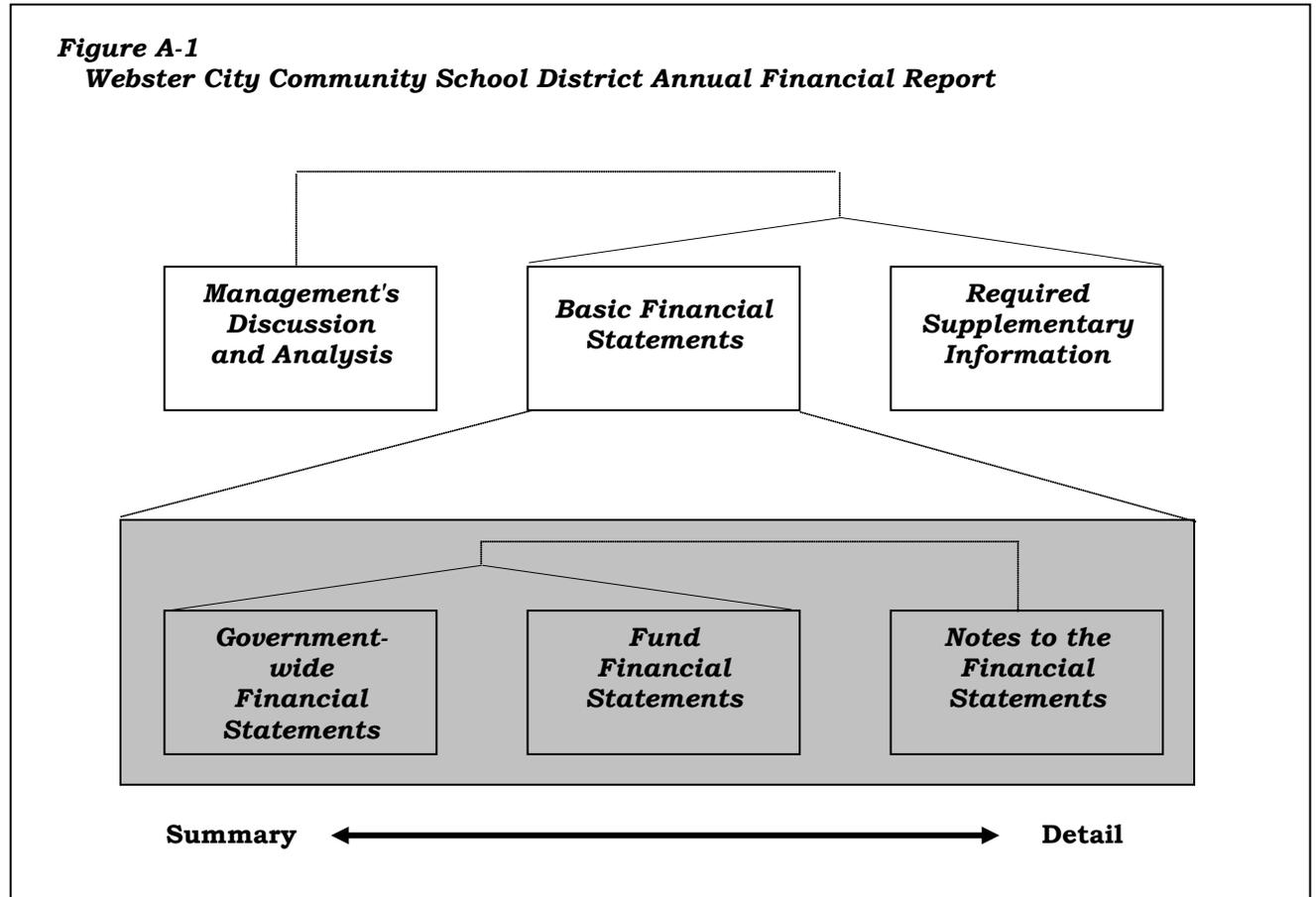


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service and building trades	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net position and how they have changed. Net position - the difference between the District’s assets and liabilities - is one

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way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit*: This includes the activities of the Webster City Community School Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition and the Building Trades Funds. The District's Internal Service Fund, one type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's flex benefits plan.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 12,689,444	12,466,918	168,664	246,990	12,858,108	12,713,908	1.13%
Capital assets	23,179,999	21,523,618	60,175	45,893	23,240,174	21,569,511	7.75%
Total assets	35,869,443	33,990,536	228,839	292,883	36,098,282	34,283,419	5.29%
Long-term obligations	16,566,341	14,876,678	25,033	19,725	16,591,374	14,896,403	11.38%
Other liabilities	8,456,852	7,651,581	200,757	207,138	8,657,609	7,858,719	10.17%
Total liabilities	25,023,193	22,528,259	225,790	226,863	25,248,983	22,755,122	10.96%
Net position:							
Invested in capital assets, net of related debt	9,886,325	10,064,485	60,175	45,893	9,946,500	10,110,378	-1.62%
Restricted	1,043,595	1,125,784	-	-	1,043,595	1,125,784	-7.30%
Unrestricted	(83,670)	272,008	(57,126)	20,127	(140,796)	292,135	-148.20%
Total net position	\$ 10,846,250	11,462,277	3,049	66,020	10,849,299	11,528,297	-5.89%

The District's total net position decreased by 5.89%, or \$678,998, from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased 7.30%, or \$82,189, from the prior year. The decrease in

restricted net position can be attributed to the decrease in restricted fund balances for state categorical funding and school infrastructure.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$432,931, or 148.20%. The decrease in General Fund balance was the main factor in the decrease in unrestricted net position.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for service	\$ 1,486,662	1,407,495	361,769	393,614	1,848,431	1,801,109	2.63%
Operating grants, contributions and restricted interest	1,830,356	1,699,359	470,512	431,281	2,300,868	2,130,640	7.99%
Capital grants, contributions and restricted interest	11,175	54,198	-	-	11,175	54,198	-79.38%
General revenues:							
Property tax	5,711,888	5,570,958	-	-	5,711,888	5,570,958	2.53%
Income surtax	363,898	377,029	-	-	363,898	377,029	-3.48%
Statewide sales, services and use tax	1,319,107	1,194,941	-	-	1,319,107	1,194,941	10.39%
Nonspecific program federal grants	-	4,617	-	-	-	4,617	-100.00%
Unrestricted state grants	8,095,977	8,079,551	-	-	8,095,977	8,079,551	0.20%
Unrestricted investment earnings	705	2,559	24	29	729	2,588	-71.83%
Other	112,751	144,151	4,245	2,450	116,996	146,601	-20.19%
Transfers	(27,700)	-	27,700	-	-	-	0.00%
Total revenues	18,904,819	18,534,858	864,250	827,374	19,769,069	19,362,232	2.10%
Program expenses:							
Instructional	11,606,970	10,725,907	-	-	11,606,970	10,725,907	8.21%
Support services	6,199,651	5,478,930	38,460	38,426	6,238,111	5,517,356	13.06%
Long-term debt interest	553,069	572,700	-	-	553,069	572,700	-3.43%
Non-instructional programs	-	-	888,761	865,893	888,761	865,893	2.64%
Other expenses	1,161,156	902,437	-	-	1,161,156	902,437	28.67%
Total expenses	19,520,846	17,679,974	927,221	904,319	20,448,067	18,584,293	10.03%
Change in net position	(616,027)	854,884	(62,971)	(76,945)	(678,998)	777,939	-187.28%
Net position beginning of year	11,462,277	10,607,393	66,020	142,965	11,528,297	10,750,358	7.24%
Net position end of year	\$ 10,846,250	11,462,277	3,049	66,020	10,849,299	11,528,297	-5.89%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 81.94% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.30% of the revenue from business type activities.

The District's total revenues were approximately \$19.77 million of which approximately \$18.91 million was for governmental activities and approximately \$0.86 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.10% increase in revenues and a 10.03% increase in expenses. Property tax revenues increased \$140,930 to help fund the increase in expenses. The increase in expenses is partly attributable to an increase in negotiated salaries and benefits paid to District employees during the year.

### Governmental Activities

Revenues for governmental activities were \$18,904,819 and expenses were \$19,520,846 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, long-term debt interest and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 11,606,970	10,725,907	8.21%	8,991,728	8,303,186	8.29%
Support services	6,199,651	5,478,930	13.15%	6,113,381	5,356,463	14.13%
Long-term debt interest	553,069	572,700	-3.43%	553,069	572,700	-3.43%
Other expenses	1,161,156	902,437	28.67%	534,475	286,573	86.51%
Totals	\$ 19,520,846	17,679,974	10.41%	16,192,653	14,518,922	11.53%

- The cost financed by users of the District's programs was \$1,486,662.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,841,531.
- The net cost of governmental activities was financed with \$5,711,888 in property tax, \$363,898 in income surtax, \$1,319,107 in statewide sales, services and use tax, \$8,095,977 in unrestricted state grants, \$705 in unrestricted investment earnings and \$112,751 in other general revenues.

### Business type Activities

Revenues of the District's business type activity were \$864,250 and expenses were \$927,221. The District's business type activity is the School Nutrition Fund and the Building Trades Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, unrestricted investment earnings capital contributions from other funds and other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Webster City Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,838,738, below last year's ending fund balances of \$4,408,011. The primary reason for the

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decrease in combined fund balances is due to the decrease in fund balances of the General Fund and the Capital Projects accounts.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Growth during the year in property tax revenues attributed to an increase in revenues. The increase in negotiated salaries and benefits paid to District employees is one of the reasons for the increase in expenditures. The net result was a decrease in fund balance from \$712,022 at June 30, 2012 to \$345,139 at June 30, 2013.
- The Capital Projects Fund balance decreased from \$3,426,479 at June 30, 2012 to \$3,178,511 at June 30, 2013 because of costs associated with the construction of a new gymnasium. At June 30, 2013, the Statewide Sales Services and Use Tax Fund had an ending fund balance of \$2,723,022 compared to \$444,867 at June 30, 2012. This increase is attributable to the issuance of \$2,225,000 of revenue bonds in fiscal year 2013. The Construction Projects Fund decreased from a fund balance of \$2,792,793 at June 30, 2012, compared to \$332,242 at June 30, 2013. The decrease is due to construction on the High School Gymnasium reaching completion in fiscal year 2013. The Physical Plant and Equipment Levy Fund had an ending fund balance at June 30, 2013 of \$123,247 compared to \$188,819 at June 30, 2012. The decrease can be attributed to equipment purchased for the District in fiscal year 2013.

### **Proprietary Fund Highlights**

As of the year ended June 30, 2013, the School Nutrition Fund experienced an increase in revenues from \$824,924 in fiscal 2012 to \$864,250 in fiscal 2013, a 4.77% increase. Expenses increased from \$901,869 in fiscal 2012 to \$927,221 in fiscal 2013, a 2.81% increase. The Building Trades Fund did not have any activity in fiscal year 2013 and net position remained at \$3,964. Overall, net position for the District's two proprietary funds, decreased from \$66,020 at June 30, 2012 to \$3,049 at June 30, 2013, representing a decrease of 95.38%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$58,253 more than budgeted revenues, a variance of 0.30%. The most significant variances resulted from the District receiving more from local sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the instruction and support services functional areas and total expenditures exceeded the budgeted amounts at year-end.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2013, the District had invested \$23,240,174, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 7.75% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$956,446.

The original cost of the District's capital assets was \$33,641,878. Governmental funds account for \$33,380,449 with the remainder of \$261,429 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,832,714 at June 30, 2012 compared to \$20,261,060 at June 30, 2013. This increase is due to the construction of a new gymnasium being completed and added to the District's capital assets in fiscal year 2013.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 590,000	590,000	-	-	590,000	590,000	0.00%
Construction in progress	84,969	10,179,646	-	-	84,969	10,179,646	-99.17%
Buildings	20,261,060	8,832,714	-	-	20,261,060	8,832,714	129.39%
Land improvements	847,721	496,658	-	-	847,721	496,658	70.69%
Machinery and equipment	1,396,249	1,424,600	60,175	45,893	1,456,424	1,470,493	-0.96%
Total	\$ 23,179,999	21,523,618	60,175	45,893	23,240,174	21,569,511	7.75%

### Long-Term Debt

At June 30, 2013, the District had \$16,591,373 in total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had total General Obligation Bonds payable of \$13,390,000 at June 30, 2013.
- The District had total Revenue Bonds payable of \$2,450,963 at June 30, 2013.
- The District had \$153,187 in compensated absences payable from the General Fund and \$1,085 payable from the Nutrition Fund at June 30, 2013.
- The District has a net OPEB liability of \$532,978 in the governmental activities and \$23,948 in the business type activities at June 30, 2013.
- The District had a net supplemental pension plan liability of \$39,212 at June 30, 2013.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 13,390,000	13,910,000	-	-	13,390,000	13,910,000	-3.74%
Revenue bonds	2,450,963	341,926	-	-	2,450,963	341,926	616.81%
Termination benefits	-	56,029	-	-	-	56,029	-100.00%
Compensated absences	153,187	140,221	1,085	565	154,272	140,786	9.58%
Net pension liability	39,212	-	-	-	39,212	-	100.00%
Net OPEB liability	532,978	428,502	23,948	19,160	556,926	447,662	24.41%
Total	\$ 16,566,340	14,876,678	25,033	19,725	16,591,373	14,896,403	11.38%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- District enrollment decreased by 23.21 students in fiscal 2013-2014. Under Iowa's school funding formula, District funding is highly dependent upon enrollment. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The partial day sharing agreement with Northeast Hamilton School District for their grades 9-12 students has gone very well and we look forward to future sharing possibilities.
- The number of students qualifying for free or reduced lunches continues to increase.
- With the completion of the new High School Gymnasium, the District looks forward to hosting future district and regional events, which in turn, will bring additional revenues to the District and to the community.
- Proposed legislation on sharing incentives and operational sharing, if enacted, will have a positive impact on the District's budget.
- Local and Regional industry expansion has created a need for employees which could have a positive impact on enrollment numbers.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cathi Hildebrand, Business Manager/Board Secretary, Webster City Community School District, 825 Beach Street, Webster City, Iowa 50595.

BASIC FINANCIAL STATEMENTS

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Primary Government			** Component Unit
	Governmental Activities	Business Type Activities	Total	Webster City Community School Foundation
<b>Assets</b>				
Cash and pooled investments	\$ 5,080,921	34	5,080,955	1,287,501
Receivables:				
Property tax:				
Delinquent	52,654	-	52,654	-
Succeeding year	5,944,206	-	5,944,206	-
Income surtax	398,664	-	398,664	-
Interest	86	1	87	-
Accounts	139,477	615	140,092	-
Due from other funds	152,292	-	152,292	-
Due from other governments	882,057	13,295	895,352	-
Inventories	-	154,719	154,719	-
Bond discounts and bond issue costs	39,087	-	39,087	-
Capital assets, net of accumulated depreciation	23,179,999	60,175	23,240,174	216,000
<b>Total Assets</b>	<b>35,869,443</b>	<b>228,839</b>	<b>36,098,282</b>	<b>1,503,501</b>
<b>Liabilities</b>				
Due to other funds	-	152,292	152,292	-
Accounts payable	736,375	2,463	738,838	3,021
Salaries and benefits payable	1,719,709	35,001	1,754,710	-
Interest payable	56,562	-	56,562	-
Deferred revenue:				
Succeeding year property tax	5,944,206	-	5,944,206	-
Unearned revenue	-	11,001	11,001	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	545,000	-	545,000	-
Revenue bonds payable	120,963	-	120,963	-
Compensated absences	153,188	1,085	154,273	-
Portion due after one year:				
General obligation bonds payable	12,845,000	-	12,845,000	-
Revenue bonds payable	2,330,000	-	2,330,000	-
Net pension liability	39,212	-	39,212	-
Net OPEB liability	532,978	23,948	556,926	-
<b>Total Liabilities</b>	<b>25,023,193</b>	<b>225,790</b>	<b>25,248,983</b>	<b>3,021</b>
<b>Net Position</b>				
Invested in capital assets, net of related debt	9,886,325	60,175	9,946,500	216,000
Restricted for:				
Categorical funding	153,847	-	153,847	-
Debt service	234,725	-	234,725	-
Management levy purposes	66,502	-	66,502	-
Student activities	136,237	-	136,237	-
School infrastructure	329,037	-	329,037	-
Physical plant and equipment levy	123,247	-	123,247	-
Unrestricted	(83,670)	(57,126)	(140,796)	1,284,480
<b>Total Net Position</b>	<b>\$ 10,846,250</b>	<b>3,049</b>	<b>10,849,299</b>	<b>1,500,480</b>

\*\* Information for the Webster Community School Foundation is for year ended December 31, 2012.

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			** Component Unit Webster City Community School Foundation
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business type Activities		
Governmental activities:								
Instruction:								
Regular	\$ 6,612,885	711,920	207,147	-	(5,693,818)	-	(5,693,818)	-
Special	2,771,733	258,044	257,749	-	(2,255,940)	-	(2,255,940)	-
Other	2,222,352	478,675	701,707	-	(1,041,970)	-	(1,041,970)	-
	11,606,970	1,448,639	1,166,603	-	(8,991,728)	-	(8,991,728)	-
Support services:								
Student	666,352	-	17,433	-	(648,919)	-	(648,919)	-
Instructional staff	907,573	2,017	17,209	-	(888,347)	-	(888,347)	-
Administration	1,881,842	5,300	-	-	(1,876,542)	-	(1,876,542)	-
Operation and maintenance of plant	2,019,101	-	-	11,175	(2,007,926)	-	(2,007,926)	-
Transportation	724,783	30,706	2,430	-	(691,647)	-	(691,647)	-
	6,199,651	38,023	37,072	11,175	(6,113,381)	-	(6,113,381)	-
Long-term debt interest	553,069	-	-	-	(553,069)	-	(553,069)	-
Other expenses:								
AEA flowthrough	626,681	-	626,681	-	-	-	-	-
Depreciation(unallocated)*	534,475	-	-	-	(534,475)	-	(534,475)	-
	1,161,156	-	626,681	-	(534,475)	-	(534,475)	-
Total governmental activities	19,520,846	1,486,662	1,830,356	11,175	(16,192,653)	-	(16,192,653)	-
Business type activities:								
Support services:								
Administration	37,789	-	-	-	-	(37,789)	(37,789)	-
Operation and maintenance of plant	671	-	-	-	-	(671)	(671)	-
Total support services	38,460	-	-	-	-	(38,460)	(38,460)	-
Non-instructional programs:								
Food service operations	888,761	361,769	470,512	-	-	(56,480)	(56,480)	-
Total business type activities	927,221	361,769	470,512	-	-	(94,940)	(94,940)	-
Total primary government	\$ 20,448,067	1,848,431	2,300,868	11,175	(16,192,653)	(94,940)	(16,287,593)	-
Total component unit	\$ 31,200	27,052	490	-				(3,658)
<b>General Revenues &amp; Transfers:</b>								
Property tax levied for:								
General purposes				\$ 5,305,432	-	5,305,432	-	
Capital outlay				406,456	-	406,456	-	
Income surtax				363,898	-	363,898	-	
Statewide sales, services and use tax				1,319,107	-	1,319,107	-	
Unrestricted state grants				8,095,977	-	8,095,977	-	
Unrestricted investment earnings				705	24	729	70,289	
Other general revenues				112,751	4,245	116,996	-	
Realized gain on investments				-	-	-	15,357	
Unrealized gain on investments				-	-	-	22,304	
Transfers				(27,700)	27,700	-	-	
Total general revenues and transfers				15,576,626	31,969	15,608,595	107,950	
Change in net position				(616,027)	(62,971)	(678,998)	104,292	
Net position beginning of year				11,462,277	66,020	11,528,297	1,396,188	
Net position end of year				\$ 10,846,250	3,049	10,849,299	1,500,480	

\* This amount excludes the depreciation that is included in the direct expense of various programs.

\*\* Information for the Webster City Community School Foundation is for year ended December 31, 2012.

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,809,465	2,936,106	322,685	5,068,256
Receivables:				
Property tax:				
Delinquent	46,167	3,721	2,766	52,654
Succeeding year	5,189,511	424,695	330,000	5,944,206
Income surtax	398,664	-	-	398,664
Interest	33	39	14	86
Accounts	130,672	-	8,805	139,477
Due from other funds	-	152,292	-	152,292
Due from other governments	438,582	443,475	-	882,057
<b>TOTAL ASSETS</b>	<b>\$ 8,013,094</b>	<b>3,960,328</b>	<b>664,270</b>	<b>12,637,692</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 360,071	357,122	19,182	736,375
Salaries and benefits payable	1,719,709	-	-	1,719,709
Deferred revenue:				
Succeeding year property tax	5,189,511	424,695	330,000	5,944,206
Income surtax	398,664	-	-	398,664
Total liabilities	7,667,955	781,817	349,182	8,798,954
Fund balances:				
Restricted for:				
Categorical funding	153,847	-	-	153,847
Debt service	-	178,938	112,349	291,287
Management levy purposes	-	-	66,502	66,502
Student activities	-	-	136,237	136,237
School infrastructure	-	2,876,326	-	2,876,326
Physical plant and equipment	-	123,247	-	123,247
Unassigned	191,292	-	-	191,292
Total fund balances	345,139	3,178,511	315,088	3,838,738
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,013,094</b>	<b>3,960,328</b>	<b>664,270</b>	<b>12,637,692</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,838,738
 <i>Amounts reported for governmental activities in theStatement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		23,179,999
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		12,665
Bond issue costs are reported as an asset in the statement of net position and are amortized over the life of the bonds		39,087
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		398,664
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(56,562)
Long-term liabilities, including bonds payable, pension benefits payable, compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(16,566,341)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>10,846,250</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 5,378,880	1,725,563	299,941	7,404,384
Tuition	866,061	-	-	866,061
Other	419,856	11,514	478,075	909,445
Intermediate sources	2,017	-	-	2,017
State sources	9,056,688	228	169	9,057,085
Federal sources	703,018	-	-	703,018
<b>TOTAL REVENUES</b>	<b>16,426,520</b>	<b>1,737,305</b>	<b>778,185</b>	<b>18,942,010</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,499,457	3,052	188,993	6,691,502
Special	2,653,060	-	-	2,653,060
Other	1,808,255	9,425	436,145	2,253,825
	<b>10,960,772</b>	<b>12,477</b>	<b>625,138</b>	<b>11,598,387</b>
Support services:				
Student	663,845	-	-	663,845
Instructional staff	893,426	-	-	893,426
Administration	1,770,340	76,144	4,498	1,850,982
Operation and maintenance of plant	1,304,888	168,277	85,876	1,559,041
Transportation	578,432	57,490	17,081	653,003
	<b>5,210,931</b>	<b>301,911</b>	<b>107,455</b>	<b>5,620,297</b>
Capital outlay	-	2,705,322	-	2,705,322
Long-term debt:				
Principal	-	-	635,963	635,963
Interest and fiscal charges	-	-	546,270	546,270
	<b>-</b>	<b>-</b>	<b>1,182,233</b>	<b>1,182,233</b>
Other expenditures:				
AEA flowthrough	626,681	-	-	626,681
<b>TOTAL EXPENDITURES</b>	<b>16,798,384</b>	<b>3,019,710</b>	<b>1,914,826</b>	<b>21,732,920</b>
Deficiency of revenues under expenditures	(371,864)	(1,282,405)	(1,136,641)	(2,790,910)
Other financing sources(uses):				
Transfer in	-	-	1,182,219	1,182,219
Transfer out	-	(1,182,219)	-	(1,182,219)
Discount on revenue bond issuance	-	(8,344)	-	(8,344)
Revenue bond issuance	-	2,225,000	-	2,225,000
Sale of equipment	4,981	-	-	4,981
<b>Total other financing sources(uses)</b>	<b>4,981</b>	<b>1,034,437</b>	<b>1,182,219</b>	<b>2,221,637</b>
Change in fund balances	(366,883)	(247,968)	45,578	(569,273)
Fund balances beginning of year	712,022	3,426,479	269,510	4,408,011
Fund balances end of year	<b>\$ 345,139</b>	<b>3,178,511</b>	<b>315,088</b>	<b>3,838,738</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

**Change in fund balances - total governmental funds(page 22)** \$ (569,273)

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,598,093	
Depreciation expense	(941,712)	1,656,381

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 2,818

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(2,225,000)	
Repaid	635,963	(1,589,037)

Bond issue costs are reported as an expense in the government fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements (2,300)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (4,499)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (9,491)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Pension benefits	(39,212)	
Termination benefits	56,029	
Compensated absences	(12,967)	
Other postemployment benefits	(104,476)	(100,626)

**Change in net position of governmental activities(page 19)** \$ (616,027)

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Building Trades	Total	
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments	\$ -	34	34	12,665
Receivables:				
Due from other funds	-	3,930	3,930	-
Interest	1	-	1	-
Accounts	615	-	615	-
Due from other governments	13,295	-	13,295	-
Inventories	2,427	152,292	154,719	-
Total current assets	16,338	156,256	172,594	12,665
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	60,175	-	60,175	-
Total non-current assets	60,175	-	60,175	-
<b>TOTAL ASSETS</b>	76,513	156,256	232,769	12,665
<b>LIABILITIES</b>				
Current liabilities:				
Due to other funds	3,930	152,292	156,222	-
Accounts payable	2,463	-	2,463	-
Salaries and benefits payable	35,001	-	35,001	-
Unearned revenue	11,001	-	11,001	-
Total current liabilities	52,395	152,292	204,687	-
Long-term liabilities:				
Compensated absences	1,085	-	1,085	-
Net OPEB liability	23,948	-	23,948	-
Total long-term liabilities	25,033	-	25,033	-
<b>TOTAL LIABILITIES</b>	77,428	152,292	229,720	-
<b>NET POSITION</b>				
Invested in capital assets	60,175	-	60,175	-
Unrestricted	(61,090)	3,964	(57,126)	12,665
<b>TOTAL NET POSITION</b>	\$ (915)	3,964	3,049	12,665

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Building Trades	Total	
<b>OPERATING REVENUE:</b>				
Local sources:				
Charges for services	\$ 361,769	-	361,769	-
Miscellaneous	4,245	-	4,245	57,875
<b>TOTAL OPERATING REVENUES</b>	<b>366,014</b>	<b>-</b>	<b>366,014</b>	<b>57,875</b>
<b>OPERATING EXPENSES:</b>				
Support services:				
Administration:				
Salaries	29,425	-	29,425	-
Benefits	4,888	-	4,888	-
Services	1,521	-	1,521	-
Supplies	1,367	-	1,367	-
Other	588	-	588	-
	<b>37,789</b>	<b>-</b>	<b>37,789</b>	<b>-</b>
Operation and maintenance of plant:				
Services	671	-	671	-
Total support services	<b>38,460</b>	<b>-</b>	<b>38,460</b>	<b>-</b>
Non-instructional programs:				
Food service operations:				
Salaries	261,547	-	261,547	-
Benefits	138,288	-	138,288	-
Services	6,579	-	6,579	-
Supplies	466,652	-	466,652	-
Depreciation	14,734	-	14,734	-
Other	961	-	961	-
	<b>888,761</b>	<b>-</b>	<b>888,761</b>	<b>-</b>
Other enterprise operations:				
Benefits	-	-	-	55,062
Total non-instructional programs	<b>888,761</b>	<b>-</b>	<b>888,761</b>	<b>55,062</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>927,221</b>	<b>-</b>	<b>927,221</b>	<b>55,062</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(561,207)</b>	<b>-</b>	<b>(561,207)</b>	<b>2,813</b>
<b>NON-OPERATING REVENUES:</b>				
State sources	6,330	-	6,330	-
Federal sources	464,182	-	464,182	-
Interest income	24	-	24	5
<b>TOTAL NON-OPERATING REVENUES</b>	<b>470,536</b>	<b>-</b>	<b>470,536</b>	<b>5</b>
Change in net position before other financing sources	(90,671)	-	(90,671)	2,818
Other financing sources:				
Capital contributions	27,700	-	27,700	-
Change in net position	(62,971)	-	(62,971)	2,818
Net position beginning of year	62,056	3,964	66,020	9,847
Net position end of year	<b>\$ (915)</b>	<b>3,964</b>	<b>3,049</b>	<b>12,665</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Business Type Activities			Governmental
	Enterprise Funds			Activities:
	School Nutrition	Building Trades	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 367,897	-	367,897	-
Cash received from miscellaneous operating activities	4,245	-	4,245	57,875
Cash payments to employees for services	(436,730)	-	(436,730)	(55,062)
Cash payments to suppliers for goods or services	(462,447)	-	(462,447)	-
Net cash provided by(used in) operating activities	(527,035)	-	(527,035)	2,813
Cash flows from non-capital financing activities:				
Interfund loan between Building Trades and School Nutrition	3,930	(3,930)	-	-
State grants received	6,330	-	6,330	-
Federal grants received	438,144	-	438,144	-
Net cash provided by(used in) non-capital financing activities	448,404	(3,930)	444,474	-
Cash flows from investing activities:				
Interest on investments	24	-	24	5
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,316)	-	(1,316)	-
Net increase(decrease) in cash and cash equivalents	(79,923)	(3,930)	(83,853)	2,818
Cash and cash equivalents beginning of year	79,923	3,964	83,887	9,847
Cash and cash equivalents end of year	\$ -	34	34	12,665
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:				
Operating income(loss)	\$ (561,207)	-	(561,207)	2,813
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:				
Commodities consumed	12,743	-	12,743	-
Depreciation	14,734	-	14,734	-
Decrease in inventories	686	-	686	-
Decrease in accounts receivable	7,082	-	7,082	-
Increase in accounts payable	2,463	-	2,463	-
Decrease in salaries and benefits payable	(7,890)	-	(7,890)	-
Increase in accrued compensated absences	520	-	520	-
Decrease in unearned revenue	(954)	-	(954)	-
Increase in other postemployment benefits	4,788	-	4,788	-
Net cash provided by(used in) operating activities	\$ (527,035)	-	(527,035)	2,813

**NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

During the year ended June 30, 2013, the District received Federal commodities valued at \$12,743.

During the year ended June 30, 2013, the District received \$27,700 in contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund.

**SEE NOTES TO FINANCIAL STATEMENTS.**

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2013

		Private Purpose Trust	Scholarship
<b>ASSETS</b>			
Cash and pooled investments	\$	2,672,041	
Interest receivable		3	
Accounts receivable		500	
<b>TOTAL ASSETS</b>		<b>2,672,544</b>	
 <b>TOTAL LIABILITIES</b>			
		-	
 <b>NET POSITION</b>			
Restricted for scholarships		2,672,544	
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>2,672,544</b>	

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 41,956
Contributions	95,583
Total additions	137,539
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	125,625
Other	1,466
Support services:	
Student	1,061
Total deductions	128,152
Change in net assets before other financing sources	9,387
Other financing sources:	
Unrealized gain on investments	84,666
Change in net position	94,053
Net position beginning of year	2,578,491
Net position end of year	\$ 2,672,544

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

(1) **Summary of Significant Accounting Policies**

The Webster City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Webster City, and Duncombe, Iowa, and the predominately agricultural territory in a portion of Hamilton, Webster, and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Webster City Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

These financial statements present the Webster City Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

**Discretely Presented Component Unit**

The Webster City Community School Foundation was established to advance, support and assist in the development of curricular and extra-curricular activities, programs and facilities within the Webster City Community School District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental fund in these financial statements.

**Jointly Governed Organizations** - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hamilton, Webster and Wright County Assessor's Conference Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Net Position (previously referred to as Net Assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and

intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction of capital assets have been added to invested in capital assets, net of related debt.

*Restricted net position* result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports two nonmajor proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Building Trades Fund accounts for house building projects of the building and trade classes of the District.

The District reports one other proprietary fund:

The Internal Service Fund is used to account for the District's employee flexible benefit plan.

The District also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

#### **D. Assets, Liabilities and Fund Balances**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	3-20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue – Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The compensated absences liability attributable to the business type activities will be paid primarily by the School Nutrition Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned balances are for various resale accounts that are not able to be accounted for in other funds.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### **E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. For the year ended June 30, 2013, District expenditures in the instruction and support services functional area and in total exceeded budgeted amounts.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$3,876,615 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

Investments in common stock are stated at the approximate fair value based on the closing price for the stock on June 30, 2013. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2013, the District's investment in common stock that was donated to the District for scholarship awards to be awarded to students consisted of the following:

<u>Name of Stock</u>	<u>Number of Shares</u>	<u>Fair Value</u>
Bristol Myers	2,000	\$ 89,380
Exxon	4,000	361,400
Nextera Energy Inc.	1,000	81,480
Integrays Energy Group	549	32,133
Teco Energy	1,600	27,504
Excel Energy	2,800	79,352
Total	<u>11,949</u>	<u>671,249</u>

The District also invested money donated for scholarship awards in the following:

	Fair Value
Federated Prime Management Obligations Fund Inst. Serv. Shares money Market Fund	\$ 353,546

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Physical Plant and Equipment Levy	Enterprise: Building Trades	\$ 152,292
Enterprise: Building Trades	Enterprise: School Nutrition	3,930
Total		<u>\$ 156,222</u>

The Building Trades Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for costs associated with the student constructed house. The loan will be repaid once the house has been sold.

The Enterprise: School Nutrition Fund is repaying the Enterprise: Building Trades Fund for money borrowed at year end to cover a cash shortage.

**(4) Interfund Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 10,963
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	1,171,256
Total		<u>\$ 1,182,219</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was needed for the principal payment due on the District's playground revenue bond.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was needed to pay principal and interest on the District's July 2007 revenue bond indebtedness and to pay principal and interest on the District's general obligation bond indebtedness.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 590,000	-	-	590,000
Construction in progress	10,179,646	1,486,993	11,581,670	84,969
Total capital assets not being depreciated	<u>10,769,646</u>	<u>1,486,993</u>	<u>11,581,670</u>	<u>674,969</u>
Capital assets being depreciated:				
Buildings	15,183,365	11,933,194	-	27,116,559
Land improvements	742,507	380,690	-	1,123,197
Machinery and equipment	4,156,413	378,886	69,575	4,465,724
Total capital assets being depreciated	<u>20,082,285</u>	<u>12,692,770</u>	<u>69,575</u>	<u>32,705,480</u>
Less accumulated depreciation for:				
Buildings	6,350,651	504,848	-	6,855,499
Land improvements	245,849	29,627	-	275,476
Machinery and equipment	2,731,813	407,237	69,575	3,069,475
Total accumulated depreciation	<u>9,328,313</u>	<u>941,712</u>	<u>69,575</u>	<u>10,200,450</u>
Total capital assets being depreciated, net	<u>10,753,972</u>	<u>11,751,058</u>	<u>-</u>	<u>22,505,030</u>
Governmental activities capital assets, net	<u>\$ 21,523,618</u>	<u>13,238,051</u>	<u>11,581,670</u>	<u>23,179,999</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 232,413	29,016	-	261,429
Less accumulated depreciation	186,520	14,734	-	201,254
Business type activities capital assets, net	<u>\$ 45,893</u>	<u>14,282</u>	<u>-</u>	<u>60,175</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 71,652
Special	241
Other	15,315
Support services:	
Instructional staff	141,704
Operation and maintenance of plant	48,015
Transportation	130,310
	<u>407,237</u>
Unallocated depreciation	<u>534,475</u>
Total governmental activities depreciation expense	<u>\$ 941,712</u>
Business type activities:	
Food service operations	<u>\$ 14,734</u>

(6) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,910,000	-	520,000	13,390,000	545,000
Revenue bonds	341,926	2,225,000	115,963	2,450,963	120,963
Termination benefits	56,029	-	56,029	-	-
Compensated absences	140,221	153,187	140,221	153,187	153,187
Net pension liability	-	39,212	-	39,212	-
Net OPEB liability	428,502	104,476	-	532,978	-
Total	<u>\$ 14,876,678</u>	<u>2,521,875</u>	<u>832,213</u>	<u>16,566,340</u>	<u>819,150</u>
Business type activities:					
Compensated absences	\$ 565	1,085	565	1,085	1,085
Net OPEB liability	19,160	4,788	-	23,948	-
Total	<u>\$ 19,725</u>	<u>5,873</u>	<u>565</u>	<u>25,033</u>	<u>1,085</u>

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 2011			June 2010 Refunding Bonds		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	1.50%	\$ 90,000	107,968	3.00%	\$ 80,000	66,537
2015	1.50	100,000	106,619	3.00	80,000	64,138
2016	2.15	95,000	105,119	3.00	80,000	61,737
2017	2.15	105,000	103,076	3.50	85,000	59,337
2018	3.00	105,000	100,819	3.50	85,000	56,367
2019-2023	3.00-3.25	610,000	449,470	3.75-4.00	475,000	231,710
2024-2028	3.55-3.88	590,000	353,349	4.00-4.25	570,000	129,188
2029-2031	4.00-4.25	1,335,000	148,338	4.38	255,000	16,842
		<u>\$ 3,030,000</u>	<u>1,474,758</u>		<u>\$ 1,710,000</u>	<u>685,856</u>

Year Ending June 30,	Bond Issue of June 2010			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	3.00%	\$ 375,000	345,343	\$ 545,000	519,848	1,064,848
2015	3.00	375,000	334,094	555,000	504,851	1,059,851
2016	3.50	400,000	322,842	575,000	489,698	1,064,698
2017	4.00	400,000	308,844	590,000	471,257	1,061,257
2018	4.00	425,000	292,844	615,000	450,030	1,065,030
2019-2023	4.00	2,350,000	1,202,220	3,435,000	1,883,400	5,318,400
2024-2028	4.00-4.25	3,000,000	673,157	4,160,000	1,155,694	5,315,694
2029-2031	4.38	1,325,000	87,500	2,915,000	252,680	3,167,680
		<u>\$ 8,650,000</u>	<u>3,566,844</u>	<u>\$ 13,390,000</u>	<u>5,727,458</u>	<u>19,117,458</u>

Revenue Bonds Payable

Details of the District’s June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 2008			Bond Issue of July 2007			Bond Issue of May 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	3.81%	\$ 10,963	417	4.75%	\$ 110,000	7,600	2.25%	\$ -	32,541	\$ 120,963	40,558	161,521
2015	-	-	-	4.75	105,000	2,494	2.25	-	50,063	105,000	52,557	157,557
2016	-	-	-	-	-	-	2.25	125,000	48,656	125,000	48,656	173,656
2017	-	-	-	-	-	-	2.25	130,000	45,788	130,000	45,788	175,788
2018	-	-	-	-	-	-	2.25	130,000	42,862	130,000	42,862	172,862
2019-2023	-	-	-	-	-	-	2.25	705,000	167,906	705,000	167,906	872,906
2024-2028	-	-	-	-	-	-	2.25	790,000	84,038	790,000	84,038	874,038
2029-2030	-	-	-	-	-	-	2.25	345,000	7,818	345,000	7,818	352,818
		<u>\$ 10,963</u>	<u>417</u>		<u>\$ 215,000</u>	<u>10,094</u>		<u>\$ 2,225,000</u>	<u>479,672</u>	<u>\$ 2,450,963</u>	<u>490,183</u>	<u>2,941,146</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,029,818 bonds issued in July of 2007, April of 2008 and in May 2013. The bonds were issued for the purpose of financing school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 12% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,941,146. For the current year, \$115,963 of principal and \$12,720 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,319,107.

The resolution providing for the issuance of the statewide sales, services and use revenue bonds include the following provision:

- a) \$178,938 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) A portion of the proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$893,453, \$797,115 and \$673,324 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 197 active and 12 retired members in the plan.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy – the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 152,167
Interest on net OPEB obligation	11,192
Adjustment to annual required contribution	<u>(31,917)</u>
Annual OPEB cost	131,442
Amortization of unfunded actuarial accrued liability	<u>(22,178)</u>
Increase in net OPEB obligation	109,264
Net OPEB obligation - beginning of year	<u>447,662</u>
Net OPEB obligation - end of year	<u><u>\$ 556,926</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 125,452	9.76%	\$ 332,173
2012	128,383	10.04%	447,662
2013	131,442	16.87%	556,926

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,022,665, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,022,665. The covered payroll (annual payroll of active employees covered by the plan) was \$9,552,052 million, and the ratio of the UAAL to the covered payroll was 10.7%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress For the Retiree Health Plan, presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District’s funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Supplemental Pension Plan**

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2013.

Plan Description - The District offers a supplemental pension (early retirement incentive) for certified teaching staff and non-certified staff who attain age 55 with 15 or more years of service to the District, submit an application to the superintendent, receive Board approval and retire by June 30 of the same year.

There are 162 active members in the plan as of June 30, 2013. The pension benefit compensation is a one-time stipend payment based on the following per diem rates:

<b>Years of Service</b>	<b>Days @ Per Diem</b>
30 or more	75
26-29 years	68
22-25 years	60
18-21 years	45
16-17 years	30
15 years	15
Less than 15 years	0

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation – The District’s annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual pension cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District’s net pension obligation:

Annual required contribution	\$ 95,241
Pension payments made	(56,029)
Increase in net pension obligation	<u>39,212</u>
Net pension obligation beginning of year	<u>-</u>
Net pension obligation end of year	<u><u>\$ 39,212</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2012. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$56,029 to the pension plan. The District’s annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual OPEB Cost Contributed	Net Pension Obligation
2013	\$ 95,241	58.83%	\$ 39,212

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$741,864 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$741,864 the covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,623,226 and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between employer and plan

members to a point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of calculations.

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability.

**(10) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2013 were \$2,078,099.

The District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$626,681 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, District expenditures in the instruction and support services functional areas and in total exceeded budgeted amounts.

**(13) Categorical Funding**

The District's ending restricted balances for categorical funding at June 30, 2013 are comprised of the following programs:

Programs	Amount
Four-year-old preschool state aid	\$ 42,067
Beginning teacher mentoring and induction program	4,176
Empowerment professional development grant	2,123
Professional development	105,481
Total	<u>\$ 153,847</u>

**(14) Operating Lease Commitment**

The District entered into a five year contract to lease copiers and printers from Premier Office Equipment in July of 2012. The District's annual payment for this lease is \$49,188.

**(15) 28E Sharing Agreement**

The District participates in a sharing agreement with Iowa Central Community College for the use of facilities. The agreement is for 10 years, pertaining to the use of approximately 6900 square feet of shared space located in the Science and Library Buildings on Iowa Central Community College campus in Webster City, Ia.

The following are the terms agreed upon by the District and the Iowa Central Community College concerning the use of facilities:

- The District shall pay \$5 per square foot, per year, payable in two equal installments. Payments are to be made before October 1<sup>st</sup> and February 1<sup>st</sup> of each year starting July 1, 2006 and ending on July 1, 2016.
- Iowa Central Community College shall pay all utilities for the term of the agreement and shall furnish all necessary maintenance, custodial services and snow removal for the facilities during the term of the agreement.
- The District, at its own cost, shall maintain fire and extended coverage insurance on the District's personal property, furniture, fixtures, equipment and all of the District's improvements to the facilities.
- The agreement may be terminated at any time by mutual agreement between the District and Iowa Central Community College. In the absence of a mutual agreement, either Iowa Central Community college or Webster City Community School District may terminate the agreement by giving 60 days written notice to the other party.

**(16) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is as follows:

	Invested in Capital Assets	Debt Service	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	291,287	2,876,326	191,292
Invested in capital assets, net of accumulated depreciation	23,179,999	-	-	-
General obligation bond capitalized indebtedness	(13,057,758)	-	-	-
Unexpended general obligation bond proceeds	-	-	(332,242)	-
Revenue bond capitalized indebtedness	(235,916)	-	-	-
Unexpended revenue bond proceeds	-	-	(2,215,047)	-
Internal service fund	-	-	-	12,665
Income surtax	-	-	-	398,664
Bond amortization asset	-	-	-	39,087
Compensated absences	-	-	-	(153,188)
Accrued interest payable	-	(56,562)	-	-
Net pension liability	-	-	-	(39,212)
Net OPEB liability	-	-	-	(532,978)
Net position (Exhibit A)	<u>\$ 9,886,325</u>	<u>234,725</u>	<u>329,037</u>	<u>(83,670)</u>

**(17) Deficit Net Position**

At June 30, 2013, the District had a deficit unrestricted net position of \$61,090 and a deficit total net position of \$915 in the Enterprise, School Nutrition Fund. At June 30, 2013, the District had a total deficit unrestricted net position of \$57,126 in the Enterprise Funds. At June 30, 2013, the District had a deficit unrestricted net position of \$83, 670 in the governmental activities.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS**

**REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 9,179,890	366,038	9,545,928	9,419,106	9,419,106	126,822
Intermediate sources	2,017	-	2,017	-	-	2,017
State sources	9,057,085	6,330	9,063,415	9,141,201	9,141,201	(77,786)
Federal sources	703,018	464,182	1,167,200	1,160,000	1,160,000	7,200
Total revenues	<u>18,942,010</u>	<u>836,550</u>	<u>19,778,560</u>	<u>19,720,307</u>	<u>19,720,307</u>	<u>58,253</u>
<b>Expenditures/Expenses:</b>						
Instruction	11,598,387	-	11,598,387	11,047,500	11,047,500	(550,887)
Support services	5,620,297	38,460	5,658,757	5,612,500	5,612,500	(46,257)
Non-instructional programs	-	888,761	888,761	1,112,618	1,112,618	223,857
Other expenditures	4,514,236	-	4,514,236	4,846,308	4,846,308	332,072
Total expenditures/expenses	<u>21,732,920</u>	<u>927,221</u>	<u>22,660,141</u>	<u>22,618,926</u>	<u>22,618,926</u>	<u>(41,215)</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(2,790,910)	(90,671)	(2,881,581)	(2,898,619)	(2,898,619)	17,038
Other financing sources, net	<u>2,221,637</u>	<u>27,700</u>	<u>2,249,337</u>	<u>8,635</u>	<u>8,635</u>	<u>2,240,702</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(569,273)	(62,971)	(632,244)	(2,889,984)	(2,889,984)	2,257,740
Balances beginning of year	<u>4,408,011</u>	<u>66,020</u>	<u>4,474,031</u>	<u>3,795,336</u>	<u>3,795,336</u>	<u>678,695</u>
Balances end of year	<u>\$ 3,838,738</u>	<u>3,049</u>	<u>3,841,787</u>	<u>905,352</u>	<u>905,352</u>	<u>2,936,435</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

For the year ended June 30, 2013, District expenditures in the instruction and support services functional areas and expenditures in total exceeded budgeted amounts.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	-	\$ 1,036,715	\$ 1,036,715	0.0%	\$ 8,015,000	12.9%
2010	July 1, 2008	-	993,425	993,425	0.0%	9,071,000	11.0%
2011	July 1, 2010	-	994,162	994,162	0.0%	8,821,456	11.3%
2012	July 1, 2010	-	960,000	960,000	0.0%	9,077,717	10.6%
2013	July 1, 2012	-	1,022,665	1,022,665	0.0%	9,552,052	10.7%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 SUPPLEMENTAL PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2013	July 1, 2012	-	\$ 741,864	\$ 741,864	0.0%	\$ 8,623,226	8.6%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost and Net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS  
COMPONENT UNIT  
DECEMBER 31, 2012

	Webster City Community School Foundation
<b>Assets</b>	
Cash and pooled investments	\$ 1,287,501
Capital assets, net of accumulated depreciation	216,000
<b>Total Assets</b>	<b>\$ 1,503,501</b>
 <b>Total Liabilities</b>	
Accounts payable	\$ 3,021
 <b>Net Position</b>	
Invested in capital assets	216,000
Unrestricted	1,284,480
<b>Total Net Position</b>	<b>1,500,480</b>
 <b>Total Liabilities and Net Position</b>	<b>\$ 1,503,501</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN NET POSITION - CASH BASIS  
DISCRETE COMPONENT UNIT  
YEAR ENDED DECEMBER 31, 2012

		Webster City Community School Foundation
Revenue:		
Interest and dividends	\$	70,289
Donations		490
Rental properties		27,052
Realized gain on investments		15,357
Total support and revenue		113,188
Expenses:		
Grants		19,659
Investment management fees		5,712
Accounting/tax preparation		1,920
Other		3,909
Total expenses		31,200
Excess of support and revenue over expenses		81,988
Other financing sources:		
Unrealized gain on investments		22,304
Change in net position		104,292
Net position beginning of year		1,396,188
Net position end of year	\$	1,500,480

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# WEBSTER CITY COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue			Debt Service	Total Other Nonmajor Funds
	Managaement Levy	Student Activity	Total Special Revenue		
<b>ASSETS</b>					
Cash and pooled investments	\$ 64,997	145,339	210,336	112,349	322,685
Receivables:					
Property tax:					
Delinquent	2,766	-	2,766	-	2,766
Succeeding year	330,000	-	330,000	-	330,000
Interest	-	14	14	-	14
Accounts	-	8,805	8,805	-	8,805
<b>TOTAL ASSETS</b>	<b>\$ 397,763</b>	<b>154,158</b>	<b>551,921</b>	<b>112,349</b>	<b>664,270</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,261	17,921	19,182	-	19,182
Deferred revenue:					
Succeeding year property tax	330,000	-	330,000	-	330,000
Total liabilities	331,261	17,921	349,182	-	349,182
Fund balances:					
Restricted for:					
Debt service	-	-	-	112,349	112,349
Management levy purposes	66,502	-	66,502	-	66,502
Student activities	-	136,237	136,237	-	136,237
Total fund balances	66,502	136,237	202,739	112,349	315,088
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 397,763</b>	<b>154,158</b>	<b>551,921</b>	<b>112,349</b>	<b>664,270</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue			Debt Service	Total Other Nonmajor Funds
	Management Levy	Student Activity	Total Special Revenue		
REVENUES:					
Local sources:					
Local tax	\$ 299,941	-	299,941	-	299,941
Other	12,245	465,830	478,075	-	478,075
State sources	169	-	169	-	169
<b>TOTAL REVENUES</b>	<b>312,355</b>	<b>465,830</b>	<b>778,185</b>	<b>-</b>	<b>778,185</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	188,993	-	188,993	-	188,993
Other	-	436,145	436,145	-	436,145
Support services:					
Administration	4,498	-	4,498	-	4,498
Operation and maintenance of plant	85,876	-	85,876	-	85,876
Transportation	17,081	-	17,081	-	17,081
Long-term debt:					
Principal	-	-	-	635,963	635,963
Interest and fiscal charges	-	-	-	546,270	546,270
<b>TOTAL EXPENDITURES</b>	<b>296,448</b>	<b>436,145</b>	<b>732,593</b>	<b>1,182,233</b>	<b>1,914,826</b>
Excess(Deficiency) of revenues over(under) expenditures	15,907	29,685	45,592	(1,182,233)	(1,136,641)
Other financing sources:					
Transfer in	-	-	-	1,182,219	1,182,219
Change in fund balances	15,907	29,685	45,592	(14)	45,578
Fund balances beginning of year	50,595	106,552	157,147	112,363	269,510
Fund balances end of year	\$ 66,502	136,237	202,739	112,349	315,088

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,279,547	642,316	14,243	2,936,106
Receivables:				
Property tax				
Delinquent	-	-	3,721	3,721
Succeeding year	-	-	424,695	424,695
Interest	-	39	-	39
Due from other funds	-	-	152,292	152,292
Due from other governments	443,475	-	-	443,475
<b>TOTAL ASSETS</b>	<b>\$ 2,723,022</b>	<b>642,355</b>	<b>594,951</b>	<b>3,960,328</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	310,113	47,009	357,122
Deferred revenue:				
Succeeding year property tax	-	-	424,695	424,695
Total liabilities	-	310,113	471,704	781,817
Fund balances:				
Restricted for:				
Debt Service	178,938	-	-	178,938
School infrastructure	2,544,084	332,242	-	2,876,326
Physical plant and equipment	-	-	123,247	123,247
Total fund balances	2,723,022	332,242	123,247	3,178,511
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,723,022</b>	<b>642,355</b>	<b>594,951</b>	<b>3,960,328</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 1,319,107	-	406,456	1,725,563
Other	41	295	11,178	11,514
State sources	-	-	228	228
<b>TOTAL REVENUES</b>	<b>1,319,148</b>	<b>295</b>	<b>417,862</b>	<b>1,737,305</b>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	-	3,052	3,052
Other	-	-	9,425	9,425
Support services:				
Administration	1,520	29,473	45,151	76,144
Operation and maintenance of plant	-	-	168,277	168,277
Transportation	-	-	57,490	57,490
Capital outlay	84,873	2,431,373	189,076	2,705,322
<b>TOTAL EXPENDITURES</b>	<b>86,393</b>	<b>2,460,846</b>	<b>472,471</b>	<b>3,019,710</b>
Excess(Deficiency) of revenues over(under) expenditures	1,232,755	(2,460,551)	(54,609)	(1,282,405)
Other financing sources(uses):				
Transfer out	(1,171,256)	-	(10,963)	(1,182,219)
Discount on revenue bond issuance	(8,344)	-	-	(8,344)
Revenue bond issuance	2,225,000	-	-	2,225,000
<b>Total other financing sources(uses)</b>	<b>1,045,400</b>	<b>-</b>	<b>(10,963)</b>	<b>1,034,437</b>
Change in fund balances	2,278,155	(2,460,551)	(65,572)	(247,968)
Fund balances beginning of year	444,867	2,792,793	188,819	3,426,479
Fund balances end of year	<b>\$ 2,723,022</b>	<b>332,242</b>	<b>123,247</b>	<b>3,178,511</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Concessions	\$ 795	62,607	63,394	8
Mock trial	165	-	73	92
Elementary PTO	22,578	43,808	40,585	25,801
Sunset student council	3,309	323	469	3,163
Interest	282	30	102	210
MS drama	110	-	-	110
MS band donations	865	-	-	865
MS athletics	-	461	-	461
MS annual	3,503	4,567	5,175	2,895
5th grade student council	864	3,605	1,498	2,971
6th grade student council	95	2,726	1,345	1,476
7th grade student council	1,761	1,045	1,835	971
8th grade student council	3,075	972	923	3,124
Yess mini society	133	-	-	133
MS student general account	4,605	35,926	35,598	4,933
MS exploratory account	1,850	1,538	1,455	1,933
MS choices and challenges	-	299	-	299
MS regional conference	32	-	-	32
HS drama	3,461	826	512	3,775
Forensics/speech club	969	-	186	783
HS band	789	500	621	668
Cross country special fundraiser	2,620	5,125	6,600	1,145
Cheerleader special account	1,220	762	1,468	514
Boys basketball special fundraiser	454	1,790	1,748	496
Boys soccer special fundraiser	356	2,786	2,131	1,011
HS baseball boosters	164	-	-	164
Football special fundraisers	1,466	11,944	9,779	3,631
Boys track special fundraisers	-	1,463	1,434	29
Boys golf special fundraisers	91	-	-	91
Wrestling special fundraisers	-	10,818	7,904	2,914
Girls basketball special fundraiser	505	4,834	4,091	1,248
Volleyball special fundraisers	3,973	970	912	4,031
Girls soccer special fundraisers	-	425	-	425
Softball special fundraisers	5,632	1,327	930	6,029
HS girls tennis special fundraisers	2,079	1,717	1,588	2,208
HS girls golf special fundraiser	-	214	214	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	3,572	128,166	126,933	4,805
HS annual	5,298	27,899	20,480	12,717
HS art club	93	-	-	93
Student honor program	563	385	948	-
Spanish club	1,917	3,298	3,139	2,076
French club	478	-	8	470
FFA	1,018	67,119	61,392	6,745
FFA-Greenhouse	4,109	8,209	4,206	8,112
Home ec club	230	589	410	409
HS science club	946	-	-	946
Environmental science club	-	184	60	124
Junior state of america	194	-	-	194
Multi occupational class	2,403	5	-	2,408
Jr class fund	1,770	-	-	1,770
National honor society	313	88	401	-
Class of 2013	2,895	-	2,895	-
Class of 2014	80	7,395	5,781	1,694
Class of 2015	19	125	144	-
Class of 2016	-	5,703	5,631	72
HS student council	7,251	10,703	9,239	8,715
HS choir club	100	-	-	100
HS musical	1,630	1,681	985	2,326
Special projects	3,620	583	583	3,620
Hamilton regional student council	252	290	340	202
Total	\$ 106,552	465,830	436,145	136,237

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 7,404,384	7,084,566	6,790,344	6,723,228	6,364,059	5,862,683	5,776,218	5,518,962	5,535,176	5,037,018
Tuition	866,061	873,131	894,362	877,221	1,002,025	993,992	947,275	911,446	828,218	835,435
Other	909,445	801,424	1,017,004	741,240	799,703	800,639	742,260	660,292	638,140	643,701
Intermediate sources	2,017	412	-	-	15,000	-	-	-	7,000	-
State sources	9,057,085	9,219,560	8,339,348	7,313,406	8,629,039	8,079,703	7,768,885	7,393,287	6,748,480	6,571,400
Federal sources	703,018	497,403	1,091,336	1,613,919	531,692	413,562	419,094	435,523	507,218	616,757
<b>Total</b>	<b>\$ 18,942,010</b>	<b>18,476,496</b>	<b>18,132,394</b>	<b>17,269,014</b>	<b>17,341,518</b>	<b>16,150,579</b>	<b>15,653,732</b>	<b>14,919,510</b>	<b>14,264,232</b>	<b>13,704,311</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 6,691,502	6,409,978	6,473,037	6,170,128	6,531,751	6,086,844	5,552,164	5,060,241	4,818,441	4,546,254
Special	2,653,060	2,299,065	2,211,617	2,212,585	2,450,409	2,280,758	2,228,925	2,220,759	2,180,591	2,335,725
Other	2,253,825	2,181,783	2,328,387	2,193,732	1,683,033	1,659,957	1,552,963	1,573,392	1,516,890	1,226,318
<b>Support services:</b>										
Student	663,845	657,448	626,647	590,549	575,735	603,833	587,005	475,109	501,381	489,013
Instructional staff	893,426	1,036,946	1,087,968	1,021,960	1,120,730	852,747	1,009,244	757,464	855,658	591,880
Administration	1,850,982	1,656,581	1,572,937	1,611,547	1,553,555	1,404,697	1,364,015	1,197,476	1,178,472	1,120,375
Operation and maintenance of plant	1,559,041	1,414,969	1,276,684	1,249,868	1,284,062	1,317,268	1,279,271	1,083,236	946,380	965,685
Transportation	653,003	690,739	742,737	572,911	768,609	556,619	509,057	557,243	427,672	360,294
Non-instructional programs	-	-	-	-	-	-	17,284	4,003	18,622	10,454
Capital outlay	2,705,322	7,080,219	3,431,794	335,476	433,151	1,185,973	300,271	569,187	403,082	247,769
<b>Long-term debt:</b>										
Principal	635,963	630,335	710,219	2,515,054	823,934	565,000	530,000	505,000	475,000	3,925,044
Interest and fiscal charges	546,270	564,991	478,801	123,283	184,947	176,062	190,197	218,470	244,487	482,457
<b>Other expenditures:</b>										
AEA flow-through	626,681	615,864	650,139	646,097	589,657	559,637	543,026	511,003	497,832	489,209
<b>Total</b>	<b>\$ 21,732,920</b>	<b>25,238,918</b>	<b>21,590,967</b>	<b>19,243,190</b>	<b>17,999,573</b>	<b>17,249,395</b>	<b>15,663,422</b>	<b>14,732,583</b>	<b>14,064,508</b>	<b>16,790,477</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	\$ 70,416
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	378,519
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	15,247
			<u>464,182</u>
U.S. DEPARTMENT OF JUSTICE:			
IOWA JUVENILE COURT SERVICE:			
JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO STATES	16.540	FY 13	<u>17,433</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	<u>332,207</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>22,145</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 13	<u>55,656</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI)	84.369	FY 13	<u>10,666</u>
PRAIRIE LAKES AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	<u>86,314</u>
ENGLISH LANGUAGE ACQUISITION GRANTS(TITLE III)	84.365	FY 13	<u>7,162</u>
TOTAL			<u>\$ 995,765</u>

\* Includes \$12,743 of non-cash awards

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Webster City Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

**To the Board of Education of the Webster City Community School District:**

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Webster City Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Webster City Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Webster City Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Webster City Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Webster City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Webster City Community School District's Responses to Findings**

Webster City Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Webster City Community School District's responses and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Webster City Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**Independent Auditor's Report on Compliance for Each  
Major Federal Program, on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

**To the Board of Education of Webster City Community School District:**

**Report on Compliance for Each Major Federal Program**

We have audited Webster City Community School District compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Webster City Community School District's major federal programs for the year ended June 30, 2013. Webster City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Webster City Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webster City Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Webster City Community School District's compliance with those requirements.

**Opinion on Each Major Federal Program**

In our opinion, Webster City Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The management of Webster City Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements

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referred to above. In planning and performing our audit of compliance, we considered Webster City Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Webster City Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Webster City Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Webster City Community School District's responses and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
  - Individual:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Webster City Community School District did not qualify as a low-risk auditee.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 2) Capital Assets - periodical testing and responsibility for the assets
- 3) Long-term debt - maintaining debt records and control of cash, reconciliations and approval.
- 4) Receipts - depositing, journalizing and posting.
- 5) Wire transfers - processing and approving.
- 6) Payroll - approval of and recording employees added or deleted from the payroll system, write checks, sign checks and post payroll to the general ledger.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) Journal entries - approval and posting.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and will investigate alternatives to improve our situation.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559: Summer Food Service Program for Children  
Federal Award Year: 2013

U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2013  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Receipts - depositing, journalizing and posting.
- 2) Wire transfers - processing and approving.
- 3) Payroll - approval of and recording employees added or deleted from the payroll system, write checks, sign checks and post payroll to the general ledger.
- 4) Computer systems - performing all general accounting functions and controlling all data input and output.
- 5) Journal entries - approval and posting.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and will investigate alternatives to improve our situation.

Conclusion - Response accepted.

#### **Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the instruction and support services functional areas as well as in total exceeded budgeted amounts.

Recommendation - The budget should have been satisfactorily amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will monitor our budget more closely and will amend when necessary.

Conclusion - Response accepted.

#### **IV-B-13 Questionable Disbursements**

**Gift Cards** - We noted during our audit that gift cards were purchased from District P-cards as rewards for staff to be given for "spring into fitness".

Gift cards given to staff for this purpose does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Gift cards are also not appropriate since Chapter 279.29 of the Code of Iowa requires the District Board of Directors to 'audit and allow' all bills. A gift card does not allow the

Board the ability to perform the required function of approval of the final purchase. Without knowing the ultimate purchase, the District cannot comply with Chapter 279.29 of the Code of Iowa.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979 and Chapter 279.29 of the Code of Iowa.

Response - We will review guidance received and implement policies to bring us into compliance with the Iowa Code.

Conclusion - Response accepted.

**Reimbursements** - We noted during our audit that the District paid reimbursements to an employee for supplies purchased without a detailed receipt. District policy 401.12 states, "Prior to reimbursement of actual and necessary expenses, the employee must submit a detailed receipt indicating the date, purpose and nature of the expense for each claim item. A credit card receipt is generally not considered a detailed receipt. Failure to provide a detailed receipt shall make the expense non-reimbursable."

Recommendation - We recommend that the Board review its policies and procedures to ensure that detailed receipts are provided before reimbursement.

Response - We will require actual receipts before reimbursing employees for supplies.

Conclusion - Response accepted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However we noted during our audit several instances of employees purchasing items with the District credit card but failed to turn in a detailed receipt of the purchase to the District office. Board policy 401.12 states that "employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide a proper receipt will make the employee responsible for expenses incurred."

Recommendation - The District should review procedures in place when employees use the District's credit card for expenses. Detailed receipts should be turned into the District central office for processing travel expenses. If detailed receipts are not available, the cost should be borne by the employee in accordance with District policy.

Response - We will require detailed receipts for all credit card purchases.

Conclusion - Response accepted.

IV-D-13 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported was understated by 1.00 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-13 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-13 Deposits and Investments - Currently the District maintains a diversified portfolio of several investments in the Private Purpose Trust Fund. Investments in the portfolio consist of certificates of deposit, savings accounts, stocks and money market accounts. Although these investments are allowable in accordance with the District's investment policy 704.3, the District's investments in the money market accounts do not appear to be allowable according to Chapter 12B and Chapter 12C of the Code of Iowa because of the ownership of stock in the money market accounts. The District's investment policy 704.3 cannot expand the allowability of investments according to Chapter 12B and 12C of the Code of Iowa.

Recommendation - The District should review Board Policy 704.3 and investments in the Private Purpose Trust Fund and make necessary adjustments to comply with Chapter 12B and 12C of the Code of Iowa.

Response - The District is currently working with legal counsel to find a solution that is in compliance with state law.

Conclusion - Response accepted.

IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-13 Statewide Sales, Services, and Use Tax - No instance of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$	444,867
Revenues:			
Sales tax revenues	\$	1,319,107	
Other local revenues		41	
Sale of long term debt		2,225,000	3,544,148
			<u>3,989,015</u>
Expenditures/Transfers out:			
School infrastructure construction	\$	84,873	
Equipment		1,520	
Other		8,344	
Transfers to other funds:			
Debt service fund		1,171,256	1,265,993
			<u>1,265,993</u>
Ending balance			<u>\$ 2,723,022</u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt Service	\$ 2.60460	\$ 1,053,551

IV-M-13 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2013, the District has a loan between the Capital Projects: Physical Plant and Equipment Levy Fund and the Building Trades Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - The interfund loan will be repaid during fiscal year 2014.

Conclusion - Response accepted.

IV-N-13 Signing of Contracts - We noted during our audit that an employment contract for a concession manager was signed by the Superintendent and not signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District needs to have the Board president sign all contracts the District enters into to be in compliance with 291.1 of the Code of Iowa.

Response - The Board President will sign all contracts.

Conclusion - Response accepted.

IV-O-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

**Book Fairs:** We noted during our audit that the District maintains book fairs in the Student Activity Fund. The District is using the proceeds from these book fairs to purchase books for the Districts library.

Recommendation - It would appear that the book fairs are used to purchase items that are not an allowable expenditure from the Student Activity Fund. Library books are required to be handled in the General Fund.

Response - Book fair proceeds and purchases of library books will be handled in the General Fund.

Conclusion - Response accepted.

**Target Donations:** We noted during our audit that the District received Target donations into the Student Activity Fund.

Recommendation - Target donations are considered an undesignated donation; therefore, they should be received into the General Fund for use as determined by the District's Board of Directors. This designation should be noted annually in the District's board minutes.

Response - We will receipt donations from Target into the General Fund.

Conclusion - Response accepted.

IV-P-13 Financial Condition - At June 30, 2013, the District's Enterprise: School Nutrition Fund had a deficit unrestricted fund balance of \$61,090 and a deficit net position of \$915. The District had a total deficit unrestricted net position in the Enterprise Funds of \$57,126. The Governmental Activities had a deficit unrestricted net position of \$83,670.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficit accounts and fund balances.

Response - The District will monitor these funds and will work to bring them to a positive balance.

Conclusion - Response accepted.

IV-Q-13 Retention of Supporting Documentation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. We noted during our audit that official's contracts from athletic events are thrown away at the end of each year.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork and invoices for the District to be in compliance with 291.6 of the Code of Iowa

Response - We will work with our Athletic Director to be in compliance.

Conclusion - Response accepted.

IV-R-13 Corrective Transfer - We noted during our audit that the District paid \$29,473 of revenue bond issuance costs from general obligation bond proceeds in the Capital Projects: Construction Projects Fund. This is not an allowable expenditure of general obligation bond proceeds. The District should pay bond issuance costs from the same fund that receives the proceeds from the issuance.

Recommendation - We are requesting that the District make a corrective transfer of \$29,473 from the Capital Projects: Statewide Sales, Services and Use Tax account to the Capital Projects: Construction Projects Fund.

Response - The correcting transfer of \$29,473 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Construction Projects Fund has been made in fiscal year 2014.

Conclusion - Response accepted.

IV-S-13 Revenue Bonds - We noted during our audit that the District transferred \$10,963 from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund to pay revenue bond principal, however, the Board of Directors did not approve this transfer.

Recommendation - The District should have Board approval for all transfers.

Response - The District will get Board approval for all interfund transfers in the future.

Conclusion - Response accepted.

IV-T-13 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified staff coaches.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should review payroll procedures to ensure that supporting documentation is kept for all employees who received checks.

Response - We will require all non-certified staff coaches to turn in proof of hours worked.

Conclusion - Response accepted.